



# Finance Bulletin

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## Economic Update

The U.S. unemployment rate fell by 0.9 percentage point to 10.2 percent in July 2020, remaining higher than the Great Recession's peak unemployment rate of 10.0 percent in October 2009. The U.S. gained 1.8 million jobs in July after adding 4.8 million in June 2020. U.S. nonfarm jobs are still 12.9 million or 8.4 percent below the February 2020 pre-pandemic level.

### ECONOMIC CONDITIONS IN THE SECOND QUARTER OF 2020

■ U.S. real GDP fell by 32.9 percent (seasonally adjusted annualized rate) in the second quarter of 2020, the largest drop on record, following a contraction of 5.0 percent in the first quarter. During the Great Recession, U.S. real GDP fell by 4.0 percent from the peak in the fourth quarter of 2007 to the trough in the second quarter of 2009. The 32.9-percent second quarter drop was driven by personal consumption, which makes up over two-thirds of GDP (down 34.6 percent) and investment (down 49.0 percent). Government expenditures increased by 2.7 percent, and a larger drop in imports compared to exports led to a positive impact of net exports on GDP.

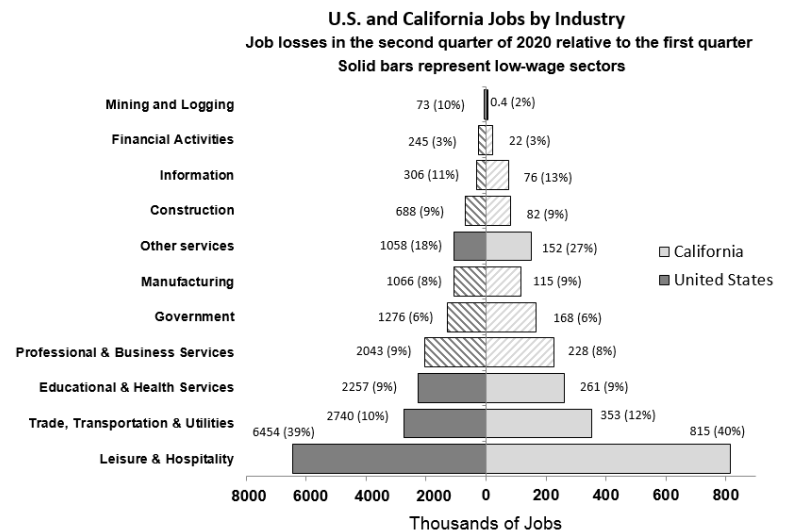
■ The number of employed Americans decreased by a record 20.1 million (-12.8 percent) in the second quarter of 2020, with 14.3 million more unemployed and 5.8 million leaving the labor force. This is much larger than the Great Recession's civilian employment peak-to-trough decrease of 7.9 million (-5.4 percent), from the fourth quarter of 2007 to the fourth quarter of 2009. U.S. unemployment rate averaged a record-high 13.0 percent in the second quarter of 2020, rising from an average of 3.8 percent in the first quarter of 2020. U.S. nonfarm jobs decreased by 18.2 million or 12.0 percent in the second quarter.

■ California's civilian employment decreased by 2.8 million (-15.3 percent) in the second quarter, with an additional 2.1 million becoming unemployed and 720,000 leaving the labor force. In addition, 576,000 Californians were furloughed and the number of involuntary part-time workers increased by 660,000 (82.8 percent). During the Great Recession, California's civilian employment decreased by 926,000 (-5.5 percent) from the peak in the first quarter of 2008 to the trough in the first quarter of 2010. California's unemployment rate averaged a record-high 15.9 percent in the second quarter of 2020, up from 4.4 percent in the first quarter and 3.6 percentage-points higher than the previous record of 12.3 percent during the Great Recession. California's nonfarm jobs decreased by 2.3 million or 13.0 percent in the second quarter. For California and the nation, job losses were largest for low-wage sectors, with leisure and hospitality losing around 40 percent of its total jobs over one quarter.

■ California's continuing claims for unemployment benefits increased by 3.3 million from 425,000 in the first quarter of 2020 to 3.7 million in the second quarter (including continuing claims for Pandemic Unemployment Assistance). This is more than quadruple the 840,000 average in the second quarter of 2009, at the height of the Great Recession. The increase in continuing claims is larger than the increase in officially unemployed, as people who are only partially unemployed can also claim unemployment benefits. Furthermore, those who are not able to actively look for work due to COVID-19 can claim unemployment benefits but are not counted as unemployed since they are not in the labor force.

### BUILDING ACTIVITY

■ California housing units authorized by building permits totaled 71,100 units in June 2020, up 2.8 percent from May 2020 but down 43.5 percent from February's 125,800 units. In June, single-family units increased by 54.6 percent from May to 47,500 units while multifamily units decreased by 38.6 percent to 23,600 units. Year-to-date, authorized residential housing units averaged 92,600 (down 12.3 percent from the same period in 2019), split into 49,700 single-family units (down 6.3 percent) and 42,900 multifamily units (down 18.3 percent). California's nonresidential building valuation in June was \$28.2 billion, up 92.8 percent from May 2020 and up 6.4 percent from February's \$26.5-billion valuation. Year-to-date, nonresidential building valuation averages \$22.7 billion, down 33.2 percent from the same period in 2019.



## MONTHLY CASH REPORT

Preliminary General Fund cash receipts for July, the first month of the fiscal year, was \$2.580 billion above the 2020-21 Budget Act forecast of \$27.792 billion, largely related to unexpected strength in the 2019 tax year. Preliminary General Fund agency cash receipts for the entire 2019-20 fiscal year were \$1.135 billion above the 2020-21 Budget Act forecast of \$123.395 billion, or 0.9 percentage point above forecast. Total collections for March through July of 2020 are actually down by 6 percent from the same period in 2019.

- Personal income tax cash receipts for July were \$2.7 billion above the month's forecast of \$21 billion. Withholding cash receipts were \$1.6 billion above the forecast of \$4.5 billion. Other cash receipts were \$1.1 billion higher than the forecast of \$19 billion. Refunds issued in July were \$47 million lower than the expected \$2.1 billion. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections be transferred to the Mental Health Services Fund (MHSF). The amount transferred to the MHSF in July was \$49 million higher than the forecast of \$375 million.
- Sales and use tax cash receipts for July were \$602 million above the month's forecast of \$1.285 billion. July is the first month of the 2019-20 fiscal year and includes the final payment for second quarter taxable sales, which was due July 31. This year July likely includes a significant amount of delayed payments from the first quarter of 2020.
- Corporation tax cash receipts for July, the first month of the fiscal year are \$306 million below the forecast of \$4.801 billion. Estimated payments were \$193 million below the forecast of \$3.127 billion, and other payments were \$45 million lower than the \$1.743 billion forecast. Total refunds for the month were \$68 million higher than the forecast of \$69 million.
- Insurance tax cash receipts for July were \$1 million above the month's forecast of \$26 million. Cash receipts from alcoholic beverage taxes, tobacco taxes, and pooled money interest were \$19 million below the month's forecast of \$84 million. "Other" cash receipts were \$349 million below the month's forecast of \$592 million.

### 2020-21 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	JULY 2020					2020-21 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$21,004	\$23,656	\$2,651	12.6%		\$21,004	\$23,656	\$2,651	12.6%
Sales & Use	1,285	1,887	602	46.9%		1,285	1,887	602	46.9%
Corporation	4,801	4,495	-306	-6.4%		4,801	4,495	-306	-6.4%
Insurance	26	27	1	3.8%		26	27	1	3.8%
Estate	0	0	0	0.0%		0	0	0	0.0%
Pooled Money Interest	39	18	-21	-53.5%		39	18	-21	-53.5%
Alcoholic Beverages	39	41	2	6.2%		39	41	2	6.2%
Tobacco	6	5	-1	-13.8%		6	5	-1	-13.8%
Other	592	243	-349	-59.0%		592	243	-349	-59.0%
Total	\$27,792	\$30,372	\$2,580	9.3%		\$27,792	\$30,372	\$2,580	9.3%

*This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller. Totals may not add due to rounding. The forecast is from the 2020-21 Budget Act.*